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SUBJECT: ECONOMIC IMPACT OF THE AUGUST VIOLENCE

REF: A) KINSHASA 1372
B) KINSHASA 1365

Summary

[1](#)1. (U) Summary. The August 20-22 violence in Kinshasa clearly impacted the DRC's economy, although the full extent of the damage is not clear. Both in the informal and formal economies businesses suffered losses due to both closure and physical damage, although the latter was quite limited. End summary.

[1](#)2. (U) From August 20-22, the GDRC's Presidential Guard units and Vice President Jean Pierre Bemba's security forces exchanged gunfire for three days in Kinshasa's Gombe neighborhood. The violence began the evening that the Independent Electoral Commission (CEI) announced the provisional presidential electoral results, a pre-scheduled event. Gombe is home to much of the expatriate community as well as many locally and foreign-owned businesses, including banks, restaurants, vehicle dealerships, telecommunications firms and grocery stores. Many businesses closed from Monday, August 21 through August 24. Some business owners anticipated the disorder and planned the closures before the August 20 announcement, while others closed in reaction to the disorder.

Immediate Impact

[1](#)3. (U) In the short-term, the three-days of disorder caused profit loss and some physical damage to businesses, although the latter was not extensive. The incidents of physical damage include looting of a Vodacom (telecommunications company) residential building; computers and other property were stolen. According to the FEC Administrator, Henri Yav Mulang, armed forces also looted the GDRC's development bank (SOFIDE), stealing travelers' checks with an estimated value of USD 4600. Mulang said that COPIREP (the GDRC agency that oversees parastatal reform) and a hotel were also looted, the latter losing some television sets and mattresses. FEC also reported that stray munitions destroyed the working files in the office of a Congolese attorney. Businesses outside of Gombe, including frozen food storage near the N'djili airport and some arts and crafts artisans' workshops, lost inventory as the result of opportunistic looting.

[1](#)4. (U) The August events seem to have had only a brief impact on the local consumer basket of goods. During the hostilities, some food and other goods were scarce, and therefore prices increased. However, both Econ LES' observations and Post's consumer market basket survey indicate only a nominal impact, including 1.1 percent

overall inflation, and a two percent increase in food prices between August 17 and 31.

15. (U) Loss due to closure is far more difficult to verify, because many businesses in the DRC zealously guard financial information to try to minimize taxation, which is already quite burdensome. Further, it is hard to determine whether income losses will show up on the monthly spreadsheet or just be temporary income decreases offset by later sales. Most of the FEC members, who are primarily owners of large and medium-sized businesses, closed their operations August 18 thru 24; an estimated 80 percent re-opened by August 25. Manufacturing and service industries were likely among those hardest hit. One American manufacturer in Kinshasa told EconOff that from August 21 through August 31, retail sales decreased by about sixty percent, following erratic business since the middle of May. According to the FEC Administrator, a Congolese airline, Malila Airlift, lost USD 60,000 after suspending operations August 21 through 23. A Congolese businessman who owns a new hotel, a restaurant and a petroleum distributorship, said that business has been erratic, and that since August 21 his enterprises' revenue has decreased by about 50 percent, but that it has begun to increase in the past few days. In August, he sold 240,000 liters from a service station he owned in a busy area of Gombe, compared to a monthly average of 300,000.

16. (U) The FEC Administrator also said that the violence economically impacted other towns, particularly those reliant on Kinshasa to supply consumer goods and other needs. For example, the FEC chapter in Kisangani, Orientale province, estimated a loss of USD 450,000 because goods were not transported from Kinshasa and because radio-operated cash transfers did not occur during this time, as their Kinshasa-based operations closed.

17. (U) Small informal-sector businesses throughout Kinshasa also suffered losses of at least several hundred thousand USD, according to Post's estimate. For example, EconOffs estimate that local barbers may have lost a total of USD 30,000 from August 21-23, bakeries lost as much as USD 450,000, while small-scale bread sellers likely lost several thousand dollars as well. However, it is hard to determine if there was an offset in business after cessation of the violence.

18. (U) Conversely, some companies' business increased or felt little effect. For example, the American manufacturer whose retail sales have slumped said that non retail-sales have remained constant, including business with regular customers such as sugar and flour processing companies. Unsurprisingly, a Vodacom employee told an Econ LES that the volume of calls increased during the three days of violence. Large grocery stores were also packed with shoppers on the day after the violence, and the stores likely lost little business. Further, an executive at the DRC's largest brewery and beverage distribution company told the Ambassador that sales barely decreased during the three days of violence.

Medium-Term Impact

19. (SBU) The violence will likely have some negative medium term economic impact, although evidence remains largely anecdotal. Some foreign businesses are reportedly withdrawing or operating at a minimum working level, although there is no evidence that enterprises whose primary operations are outside Kinshasa, such as those in the mining sector, have significantly changed work plans. Those companies who have scaled down operations have likely done so not just in reaction to the recent violence, but also in response to the increasingly difficult business atmosphere during the election period (reftel B), making it increasingly unattractive to conduct business in the DRC. The FEC Administrator told EconOff that he agrees with Post's assessment that the August violence will decrease the confidence of investors and business owners. (Note: In addition, the Congolese franc has devalued by over six percent since the violence, although most of that slippage has occurred in the past week, rather than in the days immediately following the violence. End note.)(septel)

110. (U) On the other hand, some businesses have forged ahead with plans. For example, the Spanish-owned Bravo Airline launched its domestic service to several cities in the DRC August 11, and plans

to begin flights to Brussels, Paris and Madrid shortly. The Congolese petroleum distributor mentioned in paragraph 5 told EconOff that although the political uncertainty resulted in his decision to terminate his retail service station contracts with the petroleum provider, he wants to expand his wholesale distribution network, which includes sales to corporations.

¶11. (U) The violence may also have an economic impact through the cancellation of potential investors' visits and the departure of some expatriates. For example, a large American petroleum company postponed by six months its planned September exploratory visit to the DRC. Further, the United Nations agencies' family members have departed the DRC, and some other family members of expatriates working in Kinshasa are either leaving the country or delaying their return if they are currently outside the DRC. This event will likely impact the local economy, particularly in the food, restaurant and personal service sectors and via reduced employment of local domestic staff.

Comment

¶12. (SBU) Even if no further violence occurs in the DRC through the election period, business is likely to remain erratic, and investors wary. This phenomenon, although unwelcome, is not unexpected. End comment.
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